

## Message Text

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ACTION STR-04

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 AF-08 ARA-06

EA-07 EUR-12 NEA-10 OIC-02 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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P 101715Z SEP 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1862

LIMITED OFFICIAL USE SECTION 1 OF 3 MTN GENEVA 7137

ACTION STR

E.O. 11652: N/A

TAGS: MTN, ETRD, GATT

SUBJ: DELEGATION INITIAL INPUT FOR OCT TARIFFS GROUP MEETING

I. IN ACCORDANCE WITH PRACTICE ESTABLISHED MTN GENEVA 4303, FOLLOWING U.S. MTN DEL INPUT FOR OCT TARIFFS GROUP MEETING IS CONVEYED IN THE FORM OF A DRAFT POSITION PAPER.

II. PROBLEM. MTN TARIFFS GROUP IS SCHEDULED TO MEET WEEK OF OCT 11, 1976. AGENDA IS THE SAME AS FOR THE LAST THREE MEETINGS. HOWEVER, THIS MEETING IS PRIMARILY TO PERMIT JAPANESE AND SWISS TO TABLE TARIFF CUTTING FORMULAS. THE JAPANESE FORMULA IS EXPECTED TO BE OF THE TYPE  $Z \text{ EQUALS } AX \text{ PLUS } B$  WHERE  $Z \text{ EQUALS THE FINAL RATE}$ ,  $X \text{ THE INITIAL RATE}$ , AND  $B$ , A CONSTANT ADD BACK. THE SWISS FORMULAS FLOATED TO DATE HAVE BEEN COMPLICATED MATHEMATICAL

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EQUATIONS INTENDED TO BRING ABOUT A COMPROMISE BETWEEN

THE HARMONIZATION AND LINEAR APPROACH. NORDIC COUNTRIES,  
WHO FAVOR HARMONIZATION ELEMENTS OF EC'S  $Y = X$ ,  
MAY ALSO ADVANCE ELEMENTS OF A COMPROMISE. LITTLE  
DISCUSSION OF OTHER AGENDA ITEMS IS EXPECTED ALTHOUGH  
BRAZIL AND INDIA MAY AGAIN PUSH FOR AN AGREEMENT "IN  
PRINCIPLE" ON ELEMENTS OF SPECIAL AND DIFFERENTIAL  
TREATMENT FOR LDCS. GUIDANCE IS NEEDED FOR THE U.S.  
DELEGATION.

### III. POSITION.

#### A. TARIFF REDUCTION FORMULA.

1. UNITED STATES SHOULD WELCOME JAPANESE INITIATIVE  
AND BE PREPARED TO ADDRESS THOSE ASPECTS WHICH CAN BE  
INCORPORATED IN ACCEPTABLE COMPROMISE. U.S. DEL SHOULD BE  
PREPARED TO COMPARE JAPANESE PROPOSAL ON DEPTH OF CUT,  
TARIFF ESCALATION, EQUITABLE ACCESS, ETC., WITH SIMILAR FEATURES OF  
U.S. AND EC FORMULAS STRESSING THE SUPERIORITY OF U.S. FORMULA  
AS APPROPRIATE.

2. SWISS FORMULA SHOULD ALSO BE WELCOMED. DEPENDING  
ON THE COMPLEXITY OF THE SWISS HYPOTHESIS, UNITED STATES  
MAY CRITICIZE IT AS FAILING THE TEST OF SIMPLICITY AND  
UNDERSTANDABILITY. U.S. DEL, AS APPROPRIATE, SHOULD BE  
PREPARED TO COMMENT ON ELEMENTS OF SWISS PROPOSALS  
WHICH COULD LEAD TO AN ACCEPTABLE COMPROMISE.

3. U.S. DEL MAY ALSO BEGIN TO SET THE STAGE FOR A  
COMPROMISE FORMULA BY RESTATING EC'S  $Y = X$  (4 TIMES)  
IN ITS NEAREST  $Y = AX + B$  EQUIVALENT.

4. U.S. SHOULD RESTATE ITS POSITION THAT AGREED  
FORMULA MUST COVER ALL PRODUCTS.

5. DEPENDING ON THE ACCEPTABLE COMPROMISE ELEMENTS OF  
TABLED PROPOSALS, THE U.S. DEL SHOULD BE PREPARED TO  
SUPPORT INITIATIVES OF THE CHAIRMAN OR OTHER DELS TO  
LIMIT THE TABLING OF NEW FORMULAS AFTER THIS MEETING  
(SEE DISCUSSION).

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#### B. EXCEPTIONS PROCEDURES.

1. AS APPROPRIATE, U.S. DEL SHOULD EITHER RESTATE  
THAT "ALL COUNTRIES USE MAXIMUM RESTRAINT IN RESORTING TO  
EXCEPTIONS" OR SHOULD ASSOCIATE ITSELF WITH STATEMENTS  
BY OTHER DELS TO THE EFFECT THAT EXCEPTIONS SHOULD BE  
LIMITED.

2. U.S. DEL SHOULD NOTE THAT IT HAS BEEN EXPLORING WITH ITS ADVISORY GROUPS THE QUESTION OF EXCEPTIONS, BUT HAS COME TO NO CONCLUSIONS AS YET ON THE SPECIFIC RULES AND PROCEDURES IT FAVORS.

3. THE UNITED STATES SHOULD AGAIN EXPRESS ITS DESIRE FOR AN EARLY AGREEMENT ON A TARIFF NEGOTIATING PLAN INCLUDING (1) A TARIFF FORMULA, (2) EXCEPTIONS RULES, AND (3) S AND D PROCEDURES.

C. SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS.

1. THE UNITED STATES HAS BEFORE THE GROUP A NEGOTIATING PROPOSAL FOR DEALING WITH S AND D TREATMENT. TO DATE, HOWEVER, IT HAS RECEIVED LITTLE DETAILED RESPONSE TO THAT PROPOSAL.

2. U.S. POLICY ON S AND D HAS BEEN CLEARLY ARTICULATED. AT THIS POINT LITTLE CAN BE ADDED. THE BASIC U.S. POSITION, SHOULD ANY LDC-INITIATED DEBATE ON S AND D DEVELOP, IS TO SIDETRACK THE GROUP FROM FORMING A CONSENSUS OR REACHING AN "IN PRINCIPLE" AGREEMENT ON S AND D ELEMENTS, ESPECIALLY IF NONLIBERALIZING ELEMENTS ARE INCLUDED. ACCORDINGLY, U.S. DEL MAY STATE THAT IT WELCOMES THE CLARIFICATION OF POSITIONS AS PUT FORTH AND IT IS TAKING NOTE OF PROPOSALS MADE BY OTHER DELEGATIONS, BUT IT DOES NOT SEE A GROUP CONSENSUS EMERGING AT THIS MEETING. ANY "IN PRINCIPLE" AGREEMENT, THEREFORE, WOULD BE PREMATURE.

D. OTHER AGENDA ITEMS.

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THE U.S. DEL SHOULD INSURE THAT OTHER DELEGATIONS DO NOT MISREAD OUR RECENT EMPHASIS ON THE FORMULA, EXCEPTIONS, AND S AND D AS A WANING INTEREST IN THE TRIF, FOB/CIF, BASE RATE/BASE DATE, AND OTHER TECHNICAL ISSUES. TO THIS END, THE U.S. DEL SHOULD CALL ATTENTION TO THE TRIF AS A USEFUL NEGOTIATING TOOL, THE AVAILABILITY OF NEW STATISTICS TO ASSESS THE IMPORTANCE OF THE FOB/CIF ADJUSTMENT, AND THE SERIOUSNESS IT ATTACHES TO THE BASE DATE/BASE RATE QUESTION.

IV. DISCUSSION.

A. TARIFF REDUCTION FORMULA.

1. AT THE JULY MEETING OF THE TARIFFS GROUP THE

U.S. DEL DELIVERED A LIGHTLY VIELED CRITICISM AT THOSE DEVELOPED TRADING PARTNERS "WHO HAVE NOT YET EVEN SUMMONED THE WILL" TO PUT FORTH A TARIFF FORMULA. THE CANADIANS WERE EVEN MORE BLUNT SUGGESTING THAT THE FALL TARIFFS GROUP MEETING NOT BE HELD UNTIL JAPAN WAS READY TO COME FORWARD WITH A TARIFF-CUTTING PROPOSAL. JAPANESE SPOKESMAN NOTED THAT HE EXPECTED TO TABLE A DEFINITIVE FORMULA IN THE FALL. SWISS DELEGATION INDICATED THAT IT TOO EXPECTED TO MAKE A DEFINITIVE PROPOSAL AT THE FALL MEETING. THE JAPANESE DELEGATION HAS INDICATED THA ITS PROPOSAL WILL BE READY IN TIME. THE SWISS PROPOSAL WILL PROBABLY ALSO BE READY.

2. AT THE JULY MEETING, AND IN RECENT CONVERSATIONS, JAPAN HAS GIVEN SOME INDICATIONS AS TO THE SCOPE AND CONTENT OF ITS FORMULA. BASICALLY, (1) IT IS EXPECTED TO BE IN THE FORM OF  $Z = AX + B$ ; (2) THE VALUES ASSIGNED WILL PROBABLY BE SOMEWHAT MORE LIBERALIZING THT THE  $Z = .4X + 3$  FORMULA WHICH THE JAPANESE FLOATED A YEAR OR MORE AGO; (3) IT WILL " IN THE MAIN" APPLY TO INDUSTRIAL PRODUCTS; AND (4) IT WILL MOST LIKELY CONTAIN A TARIFF FLOOR.

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INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 AF-08 ARA-06

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1863

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ACTION STR

3. DEPENDING ON HOW MUCH IS LEARNED ABOUT THE JAPANESE FORMULA IN BILATERAL DISCUSSION PRIOR TO THE MEETING, THE UNITED STATES SHOULD BE ABLE TO KEEP UP THE PACE OF THE NEGOTIATIONS BY DELIVERING A SUBSTANTIVE RESPONSE AT THIS MEETING. THE Z EQUALS AX PLUS B APPROACH IS MORE CONDUCTIVE TO NEGOTIATIONS THAN THE Y EQUALS X FORMULATION ADOPTED BY THE EC. ON THE OTHER HAND, THE JAPANESE PROPOSAL, SHOULD IT IMPLY A TARIFF FLOOR AT 5 PERCENT AND MODEST REDUCTIONS (THE EARLIER JAPANESE HYPOTHESIS Z EQUALS .4X PLUS 3, FLOORED AT 5 PERCENT, AND NEVER REACHED A 60 PERCENT REDUCTION), WILL MAKE A COMPROMISE IN FAVOR OF GREATER TRADE LIBERALIZATION EVEN MORE DIFFICULT. THE U.S. DEL SHOULD BE PREPARED TO MAKE A DETAILED COMPARISON BETWEEN Y EQUALS 1.5X PLUS 50 AND THE JAPANESE PROPOSAL. THE LATTER IS EXPECTED TO BE VULNERABLE TO COMPARISONS OF OVERALL DEPTH OF CUT, DEPTH OF CUT IN MOST MEANINGFUL TRADE AND TARIFF

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RANGES, EQUITABLE ACCESS, AND TARIFF ESCALATION. UNITED STATES SHOULD BE PREPARED TO ELABORATE, AS APPROPRIATE, ON THE NEGATIVE ASPECTS OF A SIGNIFICANT TARIFF FLOOR AND ON THE NEED TO INCREASE THE LEVEL OF BINDINGS, ESPECIALLY IN THE JAPANESE TARIFF SCHEDULE.

4. THE SWISS HAVE BEEN EXPERIMENTING WITH COMPLEX FORMULAS INVOLVING SQUARE ROOTS AND LOGARITHMS. ONE SUCH FORMULA WOULD ELIMINATE DUTIES OF LESS THAN 1 PERCENT, DO NOTHING TO DUTIES BETWEEN 1 AND 3.5 PERCENT, AND HARMONIZE DUTIES ABOVE THAT LEVEL. AS APPROPRIATE, U.S. DEL MAY EXPRESS ITS GRATITUDE FOR SWISS EFFORTS, BUT NOTE THAT COMPLICATED MATHEMATICAL FORMULAS HAVE LITTLE CHANCE OF GROUP ACCEPTANCE. THE THRUST OF OUR RESPONSE, HOWEVER, SHOULD BE DETERMINED BY WHAT THE FORMULA DOES, RATHER THAN BY ITS PRESENTATIONAL ASPECTS. U.S. MTN DEL HAS CONVEYED TO SWISS DEL THAT THE UNITED STATES WOULD WELCOME A "CONSTRUCTIVE" PROPOSAL, I.E., ONE WHICH CONTRIBUTED TO REDUCING U.S.-EC DIFFERENCES. IF POSSIBLE, ITS HELPFUL ELEMENTS SHOULD BE SEPARATED FROM THE MATHEMATICS.

5. SOME MOVEMENT WILL PROBABLY BE INITIATED TOWARD FINDING A COMPROMISE BETWEEN THE U.S. AND THE EC FORMULAS. AT THE JULY MEETING THE NORDIC COUNTRIES INDICATED THEIR WILLINGNESS TO HELP THE GROUP FASHION A COMPROMISE AND

THEY HAVE BEEN PRIVATELY DISCUSSING  $Y = X + 30$  WITH A 5 PERCENT FLOOR AS ONE ALTERNATIVE. A TEST OF THE EC'S WILLINGNESS TO COMPROMISE MIGHT CONSIST OF A U.S. RESTATEMENT OF  $Y = X$  (4 TIMES) IN THE FORM OF  $Y = AX + B$ . ONE SUCH RESTATEMENT SUGGESTED BY U.K. REPRESENTATIVE IS  $Y = 2X + 10$ . THIS RESTATEMENT IS NEARLY IDENTICAL TO  $Y = X$  (4 TIMES) IN DEPTH OF CUT AT INITIAL TARIFF RATES OF 5 TO 20 PERCENT. ONCE ALL FORMULAS ARE IN THE SAME FORMAT THE GROUNDS FOR NEGOTIATIONS AND COMPROMISE BECOME CLEARER.

6. WITH THE TABLING OF THE JAPANESE AND SWISS PROPOSALS, THERE WILL BE GIVE MAJOR DEFINITIVE FORMULAS ON THE TABLE. AT THE LAST MEETING, GROUP LIMITED OFFICIAL USE

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CHAIRMAN PATTERSON TRIED TO SET THE STAGE FOR THE DEVELOPMENT OF AN ACCEPTABLE GROUP FORMULA FROM THOSE OF THE BIG FOUR AND SWITZERLAND. CANADA, HOWEVER, OBJECTED TO THE INSINUATION THAT NO MORE FORMULAS SHOULD BE TABLED. THE UNITED STATES SHOULD NOT BE PLACED IN THE POSITION OF BLOCKING NEW FORMULA PROPOSALS; HOWEVER, THE SPEED WITH WHICH AN ACCEPTABLE FORMULA IS RACHED DEPENDS TO SOME EXTENT ON THE COMPLEXITY OF THE CHOICES. ADDITIONAL PROPOSALS WILL WED THE DELEGATIONS MAKEING THEM TO SUCH FORMULATIONS. THIS FACTOR SUGGESTS IT IS IN OUR INTEREST TO SET SOME PARAMETERS ON THE NUMBER OF INITIAL FORMULA PROPOSALS WHICH MAY BE TABLED. THE COMPROMISE ELEMENTS OF THE TABLED FORMULAS WILL DICTATE HOW THE UNITED STATES SHOULD RESPOND, IF THE JAPANESE AND SWISS FORMULAS CONTAIN ENOUGH ACCEPTABLE ELEMENTS FOR A FAVORABLE COMPROMISE, THEN SHOULD AN EFFORT BE MADE IN EITHER THE CHAIRMAN'S SUMMING-UP OR FROM THE FLOOR TO HALT THE TABLING OF NEW FORMULAS, THE UNITED STATES MAY LEND SUPPORT FOR SUCH EFFORTS. IF, ON THE OTHER HAND, THE NEW PROPOSALS PRODUCE EFFECTS SIMILAR TO THE EC APPROACH, THE UNITED STATES SHOULD RESIST EFFORTS TO CLOSE OFF DEBATE THEREBY KEEPING THE DOOR OPEN TO NEW, MORE FAVORABLE FORMULA PROPOSALS.

B. EXCEPTIONS PROCEDURES.

MTN DELS WILL BE EXPECTING A FURTHER ELABORATION OF COUNTRY VIEWS ON EXCEPTIONS. THE U.S. POSITION HAS NOT YET BEEN FULLY DEVELOPED AND THE U.S. DEL SHOULD AVOID ANY STATEMENT WHICH WOULD COMMIT THE UNITED STATES TO THE ACCEPTANCE OF ANY EXCEPTIONS RULES OR PROCEDURES. THE U.S. DEL MAY STATE THAT WE ARE CONSIDERING, ALONG

WITH ADVICE BEING RECEIVED FROM OUR DOMESTIC ADVISORY GROUPS, THE VIEW EXPRESSED BY OTHER DELS ON THIS SUBJECT, BUT SO FAR IT HAS NOT COME TO ANY CONCLUSIONS ON THIS MATTER. WHILE WE HAVE STRONG ATTACHMENT TO THE PRINCIPLE OF "MAXIMUM RESTRAINT," WE HAVE AN OPEN MIND ON THE PROCEDURES WHICH WOULD BE NECESSARY TO INSURE SUCH RESTRAINT. WE WOULD WELCOME HEARING THE IDEAS OF OTHER DELS ON HOW TO MINIMIZE EXCEPTIONS.

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C. SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS.

1. THE U.S. POSITION ON S AND D HAS BEEN CLEARLY SET FORTH AT PREVIOUS MEETINGS. FOR THIS MEETING, U.S. STRATEGY SHOULD BE TO FORESTALL EFFORTS BY LDCS TO CHARACTERIZE THEIR S AND D PROPOSALS AS A GROUP CONSENSUS, WHEN THE UNITED STATES IS NOT READY TO COME TO AN AGREEMENT. BY THE SAME TOKEN, THERE IS LITTLE MERIT IN REEMPHASIZING CROSS-NOTIFICATION (BESIDES MENTIONING THAT SUCH A U.S. PROPOSAL IS ON THE TABLE). ALTHOUGH THIS NEGOTIATING PROPOSAL HAS BEEN ON THE TABLE FOR SOME TIME, IT HAS NOT GENERATED MUCH DETAILED RESPONSE AND EVEN LESS SUPPORT.

2. THE UNITED STATES DOES NOT WANT TO DO ANYTHING NOW THAT ENCOURAGES NOTIFICATION OF NONLIBERALIZINT MEASURES TO EITHER THE UNITED STATES OR TO THE OTHER DCS. IF, AT THE CONCLUSION OF THE S AND D DISCUSSION, THE U.S. DEL FEELS SOME RESPONSE IS REQUIRED, HE MAY EXPRESS HIS GRATITUDE FOR WHATEVER ADDITIONAL CLARIFICATION OF POSITIONS WAS PROVIDED. HE MAY, AS APPROPRIATE, INDICATE THAT WHILE WE HAVE BEEN GIVING CAREFUL CONSIDERATION TO THE VIEWS EXPRESSED IN THIS FORUM, THE UNITED STATES DOES NOT YET SEE A CONSENSUS EMERGING ON S AND D, AND IT COULD NOT NOW ACCEPT A RESTATEMENT OF THE BRAZILIAN-INDIAN LIST OF S AND D MEASURES OFFERED AT THE LAST MEETING (SEE BELOW) AS A STATEMENT OF CONSENSUS OF THE GROUP. THE U.S. APPROACH TO S AND D IN THE TARIFFS AREA IS -- AS IT IS IN ALL ASPECTS OF THESE NEGOTIATIONS -- NOT DOCTRINAIRE OR PHILOSOPHICAL, BUT PRACTICAL AND PRAGMATIC.

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INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 AF-08 ARA-06

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1864

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ACTION STR

3. AT THE LAST TARIFFS GROUP MEETING, THE BRAZILIAN  
DEL DETECTED AN "EMERGING CONSENSUS," LATER CHANGED TO  
AN "IMMERSED CONSENSUS" IN THE FACE OF DC OPPOSITION,  
FOR AN AGREEMENT "IN PRINCIPLE" ON THE FOLLOWING S  
AND D MEASURES:

(A) SPECIAL MEASURES ON TARIFF CUTS, I.E.,  
DEEPER OR LESS-THAN-FORMULA REDUCTIONS FOR PRODUCTS  
OF LDC INTEREST;

(B) SPECIAL STAGING, I.E., FASTER OR SLOWER FOR  
PRODUCTS OF LDC INTEREST;

(C) SPECIAL EXCEPTIONS PROCEDURES WHEREBY  
PRODUCTS WOULD BE INCLUDED OR TAKEN OFF EXCEPTIONS  
LISTS ON THE BASIS OF LDC INTERESTS.

INDIAN DEL EXPANDED THE LIST BY ADDING:

(D) TARIFF RECLASSIFICATION;

(E) INCREASED SECURITY OF GSP;

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(F) IMPROVEMENT OF GSP RATES;

(G) IMPLEMENTATION OF CONCESSIONS ON A



PREFERENTIAL BASIS; AND  
(H) BINDING OF PREFERENTIAL MARGINS.  
WHILE MANY OF THESE MEASURES ARE ACCEPTABLE TO THE  
U.S., WE ARE NOT NOW PREPARED TO CONSIDER  
NONLIBERALIZING S AND D NOR DO WE WISH THE GROUP TO DO  
SO. THERE WILL BE TIME TO DEAL WITH THE CONTENTS OF  
S AND D WHEN WE ARE CLOSER TO MULTILATERAL AGREEMENT  
ON A TARIFF FORMULA AND EXCEPTIONS PROCEDURES.

D. OTHER AGENDA ITEMS.

1. IN A SHORT MEETING SUCH AS THIS ONE IS  
EXPECTED TO BE, TECHNICAL ISSUES RECEIVE LITTLE  
ATTENTION. IN FACT, THEY HAVE BEEN GENERALLY  
SHOVED TO THE SIDE FOR THE PAST TWO MEETINGS AS  
PARTICIPANTS FOCUSED FIRST ON THE U.S., AND THEN EC  
FORMULA PROPOSALS. THERE IS SOME DANGER THAT OTHER  
DELS MAY INTERPRET U.S. SILENCE ON THESE TECHNICAL  
ISSUES AS A LESSENING OF INTEREST AND A WEAKENING  
IN RESOLVE TO CARRY THEM THROUGH.

2. TRIF. U.S. NEW TARIFF RATE INFORMATION  
FILE (TRIF) AS OF JAN 1, 1974, IS BEING  
DELIVERED TO THE GATT SECRETARIAT. THUS, THE  
U.S. DEL CAN CALL FOR THE  
EARLY SUBMISSION OF THOSE TRIFS NOT YET SUBMITTED.  
U.S. CAN EXPLORE WITH OTHER PARTICIPANTS  
THE USEFULNESS OF THE TRIF AS A NEGOTIATING DOCUMENT,  
AND URGE AGREEMENT THAT TRIFS AT THE APPROPRIATE TIME  
BE UPDATED AND EXPANDED TO SHOW BASE RATES, OFFERS,  
REQUESTS, S AND D TREATMENT, ETC. TRIF DATA ALSO WILL  
MAKE ANALYSIS AND SOLUTION OF OTHER TECHNICAL DISAGREE-  
MENTS EASIER.

3. FOB/CIF. TARIFFS GROUP REMAINS THE PROPER  
FORUM FOR A DISCUSSION OF FOB/CIF ADJUSTMENTS. THE  
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UNITED STATES HAS ALREADY PROVIDED A TRUNCATED VERSION  
OF USITC FOB/CIF 1975 DATA TAPE WITH TRADE VALUES (BUT  
WITHOUT CALCULATED DUTIES OR AVES) TO THE EC. IN  
ADDITION, U.S. FT 246 FOR 1974 IS NOW AVAILABLE SHOWING  
CUSTOMS, FAS, AND CIF DATA FOR 1974 IMPORTS. BASED ON  
USITC DATA FOR 1975, CIF VALUES ARE, ON THE WHOLE,  
7 PERCENT HIGHER. U.S. DEL SHOULD VOLUNTEER TO MAKE  
AVAILABLE TO GATT SECRETARIAT FOR DISTRIBUTION TO ALL  
PARTICIPANTS IMPORT DATA ON FOB AND CIF BASES,

CALCULATED DUTIES, AND THE DIFFERENCE IN AVES ON THE "FOB" AND "CIF" BASIS. THIS APPROACH SHOULD SERVE AS A CONCRETE DISPLAY OF OUR DETERMINATION TO INCORPORATE AN FOB/CIF FACTOR IN THE FORMULA, AND MAY POSSIBLY GAIN SOME GOODWILL POINTS FOR THE U.S. BY OUR WILLINGNESS TO SHARE THE DATA. WITHHOLDING SUCH DATA WILL HAVE LITTLE NEGOTIATING VALUE, IN ANY CASE, AS IT CAN BE OBTAINED DIRECTLY OR CALCULATED FROM INFORMATION ALREADY AVAILABLE TO THOSE COUNTRIES WILLING TO PURCHASE THE NECESSARY DATA TAPES FROM CENSUS. BY MAKING IT GENERALLY AVAILABLE THROUGH THE GATT SECRETARIAT, THE U.S. COULD OFFER IT AS AN S AND D MEASURE.

4. BASE RATE/BASE DATE. THE TABLING OF THE JAPANESE FORMULA REPRESENTS AN OPPORTUNE TIME TO RESTATE OUR STAND ON A BASE DATE/BASE RATE FOR UNBOUND ITEMS, WHICH INCORPORATES THE JAPANESE UNILATERAL TARIFF REDUCTIONS OF 1972. THOUGH THIS ISSUE IS EXPECTED TO BE RESOLVED BILATERALLY, SOME GROUP PRESSURE, JUDICIOUSLY DELIVERED, CAN SPEED AGREEMENT. ACCORDINGLY, THE U.S. DEL MAY OFFER COMPARISONS DIFFERENTIATING BETWEEN BOUND AND UNBOUND ITEMS, SHOWING THE DEPTH OF CUT WHICH WOULD BE ACHIEVED AT BASE RATES/BASE DATES OF APRIL 1, 1972, OR EARLIER, AS COMPARED WITH LATER DATES. U.S. DEL MAY TAKE A HIGH MORAL TONE, ON THE GROUND THAT THE "SPIRIT OF THE GATT" REQUIRES AN ACTUAL TRADE STIMULATING EFFECT AS EMBODIED IN THE REDUCTION OF AN ACTUAL TARIFF RATE, RATHER THAN A TARIFF "REDUCTION" FROM A FICTITIOUS RATE WHICH HAS LONG SINCE CEASED TO FUNCTION AS AN ELEMENT OF TRADE CONTROL. LIMITED OFFICIAL USE

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IT IS WELL ACCEPTED THAT THE TRADE STIMULATION ASSOCIATED WITH A TARIFF REDUCTION IS MOST EFFECTIVE IMMEDIATELY AFTER THE REDUCTION. ARGUMENTATION DEVELOPED ALONG THE PRECEEDING LINES WILL HIGHLIGHT OUR RESOLVE NOT TO ACCEPT A BASE RATE/BASE DATE THAT WOULD PERMIT FICTITIOUS RATE REDUCTIONS, BUT IT NEED NOT ANTAGONIZE THE JAPANESE TO THE EXTENT THAT THEY HARDEN THEIR POSITION IN BILATERAL DISCUSSIONS. WALKER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MEETING AGENDA, COMMITTEE MEETINGS, TARIFFS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** saccheem  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976MTNGE07137  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760342-0946  
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**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760973/aaaackhk.tel  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
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**Page Count:** 10  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** saccheem  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 MAY 2004 by greeneet>; APPROVED <13 SEP 2004 by saccheem>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DELEGATION INITIAL INPUT FOR OCT TARIFFS GROUP MEETING I. IN ACCORDANCE WITH PRACTICE ESTABLISHED MTN GENEVA 4303. FOLLOWING U.S. MTN DEL INPUT FOR OCT TARIFFS  
**TAGS:** ETRD, GATT, MTN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006